

Economic Conditions

May 2002

Civilian Labor Force

- Current unemployment data paints a picture of an economy on the upswing. In fact, many economists question whether the economy ever entered a recession. Virginia's unemployment rate dropped from 4.3 percent in February to 4.0 percent in March. The March unemployment rate is 45 percent less than the peak unemployment rate experienced during the last recession a decade ago. The national unemployment rate of 6.1 percent in March is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 151,100 Virginia workers were unemployed in March 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 54,000 more Virginians were unemployed in March than a year earlier—an increase of 56 percent. However, 8,600 fewer Virginians were unemployed in March than February 2002.
- Four of Virginia's eight MSA's had March unemployment rates above the statewide average—Danville (9.6 percent), Lynchburg (5.7 percent), Bristol (5.0 percent), and Norfolk-Newport News (4.1).
- Virginia's March unemployment rate was lower than all nearby states (Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, and West Virginia). In addition to Virginia, among these states only Georgia (4.6 percent) had an unemployment rate of less than five percent.

		March 02	March 01	March 01 to March 02	
				Net Change	% Change
Labor Force	VA	3,746,444	3,637,491	108,953	3.0%
	US	142,092,000	141,751,000	341,000	0.2%
Employment	VA	3,595,309	3,540,268	55,041	1.6%
	US	133,433,000	135,298,000	-1,865,000	-1.4%
Unemployment	VA	151,135	97,223	53,912	55.5%
	US	8,659,000	6,453,000	2,206,000	34.2%
Unemployment rate	VA	4.0%	2.7%	----	48.1%
	US	6.1%	4.6%	----	32.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

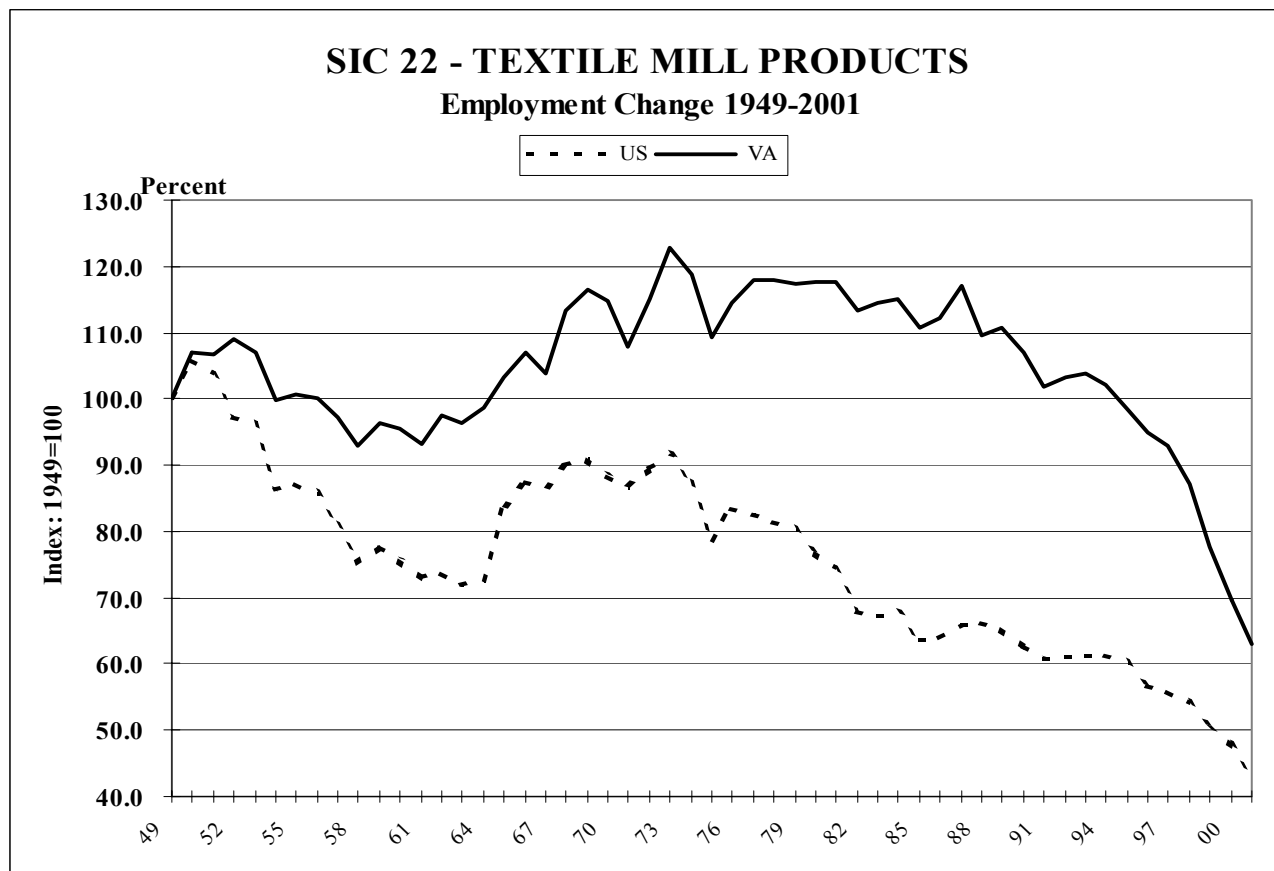
- Nonagricultural employment declined by 50,100 jobs from February 2001 to February 2002.
- Finance, insurance, and real estate and government were the only sectors of the Virginia economy to add jobs from February 2001 to February 2002. They added a combined total of 3,200 jobs with 81 percent attributed to government.
- The largest job losses in Virginia from February 2001 to February 2002 were in manufacturing (23,000 jobs), transportation and public utilities (12,700 jobs), construction (7,200 jobs), services (5,300 jobs), and wholesale and retail trade (5,100 jobs).
- Since January 1990, services has added more jobs than any other sector of the Virginia economy—424,400—and has grown at a faster rate than any other sector—59.5 percent.

	Current				Historic			
			Feb. 01-Feb. 02				Feb. 90-Feb. 02	
	Feb. 02	Feb. 01	Net Change	%		Feb. 90	Net Change	%
Total	3,456,500	3,506,600	-50,100	-1.4%		2,858,000	598,500	20.9%
Mining	9,800	9,800	0	0.0%		14,700	-4,900	-33.3%
Construction	199,000	206,200	-7,200	-3.5%		181,200	17,800	9.8%
Manufacturing	359,700	382,700	-23,000	-6.0%		427,900	-68,200	-15.9%
Trans. and public utilities	177,900	190,600	-12,700	-6.7%		146,500	31,400	21.4%
Wholesale and retail trade	741,600	746,700	-5,100	-0.7%		638,300	103,300	16.2%
Finance, ins., and real estate	191,600	191,000	600	0.3%		152,700	38,900	25.5%
Services	1,137,500	1,142,800	-5,300	-0.5%		713,100	424,400	59.5%
Government	639,400	636,800	2,600	0.4%		583,600	55,800	9.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- In February 2002, manufacturing employment in Virginia reached its lowest level since March 1971.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 16.8 percent since then, losing 72,800 jobs, with textiles and apparel accounting for 50,900 of the total. In comparison, manufacturing declined nationally by 9.1 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.5 million jobs through February 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 37 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 6.0 percent in February from a year earlier. Among neighboring states, three had greater percentage losses (North Carolina, South Carolina, and West Virginia). Four states (Georgia, Tennessee, Kentucky, and Maryland) had smaller losses.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 11,600 jobs over the past twelve months, a decline of 5.8 percent.
- Job losses were heaviest in three durable goods industries—electronic equipment (6,100), furniture (3,100), and primary metals (1,200). The largest percentage losses were also in electronic equipment (22.1 percent) and furniture (15.2 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment and lumber, which grew by 600 and 400 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,500 jobs, a 38.6 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,800 jobs (a 28.2 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,500 jobs since February 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Feb. 01 –Feb. 02				Feb. 90-Feb. 02	
	Feb. 02	Feb. 01	Net Change	%		Feb. 90	Net Change	%
Total manufacturing	359,700	382,700	-23,000	-6.0%		427,900	-68,200	-15.9%
Durable goods	188,900	200,500	-11,600	-5.8%		207,600	-18,700	-9.0%
Lumber	26,600	26,200	400	1.5%		24,900	1,700	6.8%
Furniture	17,300	20,400	-3,100	-15.2%		24,100	-6,800	-28.2%
Stone, clay, glass	12,000	12,800	-800	-6.3%		14,300	-2,300	-16.1%
Primary metals	9,900	11,100	-1,200	-10.8%		12,200	-2,300	-18.9%
Fabricated metals	17,700	17,800	-100	-0.6%		18,200	-500	-2.7%
Ind. machinery	27,700	28,400	-700	-2.5%		22,200	5,500	24.8%
Electronic equip.	21,500	27,600	-6,100	-22.1%		35,000	-13,500	-38.6%
Trans. equip.	41,300	40,700	600	1.5%		42,700	-1,400	-3.3%
Instruments	10,800	11,000	-200	-1.8%		10,800	0	0.0%
Misc. mfg.	4,100	4,500	-400	-8.9%		3,200	900	28.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 11,400 jobs over the past twelve months, a decline of 6.0 percent.
- All Virginia nondurable goods industries lost jobs over the past 12 months.
- The heaviest job losses of the past twelve months were in textiles, rubber and plastics, printing, chemicals, and apparel, which lost a combined total of almost 10,000 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling almost 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 27,500 jobs, 11,000 since 1990 alone.

	Current				Historic			
			Feb. 01 –Feb. 02				Feb. 90-Feb. 02	
	Feb. 02	Feb. 01	Net Change	%		Feb. 90	Net Change	%
Total manufacturing	359,700	382,700	-23,000	-6.0%		427,900	-68,200	-15.9%
Nondurable goods	170,800	182,200	-11,400	-6.3%		220,300	-49,500	-22.5%
Food products	38,100	38,200	-100	-0.3%		35,900	2,200	6.1%
Tobacco products	8,600	8,900	-300	-3.4%		13,700	-5,100	-37.2%
Textiles	21,000	25,200	-4,200	-16.7%		41,800	-20,800	-49.8%
Apparel	8,500	9,600	-1,100	-11.5%		27,600	-19,100	-69.2%
Paper	15,800	16,700	-900	-5.4%		16,500	-700	-4.2%
Printing	36,200	37,700	-1,500	-4.0%		35,300	900	2.5%
Chemicals	19,200	20,500	-1,300	-6.3%		30,200	-11,000	-36.4%
Rubber/plastics	22,500	24,400	-1,900	-7.8%		17,100	5,400	31.6%
Petroleum/leather	900	1,000	-100	-10.0%		2,200	-1,300	-59.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 93.0 percent increase followed by engineering and management services, 49.6 percent, and communications, 34.5 percent. This compares with 20.9 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Feb. 01-Feb. 02				Feb. 90-Feb. 02	
	Feb. 02	Feb. 01	Net Change	%		Feb. 90	Net Change	%
Nonmanufacturing	3,096,800	3,123,900	-27,100	-0.9%		2,430,100	666,700	27.4%
Communications	59,200	64,100	-4,900	-7.6%		44,000	15,200	34.5%
Business services	307,200	331,700	-24,500	-7.4%		159,200	148,000	93.0%
Engineering and management svcs	144,100	138,900	5,200	3.7%		96,300	47,800	49.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.6 percent in March, before seasonal adjustment. On a seasonally adjusted basis the CPI-U increased 0.3 percent in March. The energy index increased 3.8. The petroleum-based energy index increased 8.0 percent.
- Based on the first three months of the year, consumer prices grew at a seasonally adjusted annual rate of 3.0 percent.

Current			Historic		
Mar. 02	% Change, Feb. 02 to Mar. 02	% Change Mar. 01 to Mar. 02	% Change Mar. 90 to Mar. 02	% Change Mar. 80 to Mar. 02	% Change Mar. 70 to Mar. 02
178.8	0.6%	1.5%	38.9%	123.2%	368.1%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 14 percent, 29 percent, and 67 percent, respectively, below their all-time highs.

	May 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	10060	-2.9%	1.5%	8.6%	-7.7%
S&P 500	1086	-5.3%	-0.4%	0.2%	-14.2%
NASDAQ	1678	-9.9%	-12.2%	-3.9%	-22.6%

	May 02	Nov. 01	May 01
Federal funds rate	1.75%	2.50%	4.50%
Treasury – 5 year	4.36%	3.51%	4.85%
Treasury – 10 year	5.06%	4.22%	5.29%
Bank prime loan rate	4.75%	5.50%	7.50%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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